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SUBJECT: SWITZERLAND & LIECHTENSTEIN: ASSESSING OUR
BILATERAL RELATIONSHIPS

FROM AMBASSADOR PAMELA P. WILLEFORD

1.(U) Introduction: As I prepare to leave Embassy Bern after two and a half years, I would like to share some observations and insights I gained during my tenure here. I hope these thoughts will be helpful to those dealing with Switzerland and Liechtenstein, and Europe in general.

Big Picture

2.(SBU) Switzerland and Liechtenstein are niche players in the world and we must be creative in how we challenge them to contribute to our shared goals. Our three new agreements with Switzerland -- covering political cooperation, trade and investment, and counterterrorism cooperation -- are modest achievements in and of themselves, but must be filled with good content to be truly useful. We should not be afraid to ask our partners for assistance, mindful that there are constraints on how active these traditionally neutral countries can be. In anything we do, personal relationships will be key. We should not be fooled that the engineer-like Swiss are impervious to relationships - this is how we get things done. We encourage Washington to cultivate and use these relationships, just as we have done in Bern.

3.(SBU) A word on Davos. The World Economic Forum's Annual Meeting is the premier event of its kind. The USG can use this platform to spread our message. Indeed, if we are early enough with our ideas, we can work with WEF organizers to fashion sessions and programs important to us. A high-level USG presence is noticed by the global community. We encourage Washington to begin thinking now about this coming January's meeting.

State of the Partnerships

4.(SBU) Switzerland and Liechtenstein can be valuable partners for the United States, provided we are creative in

identifying areas of cooperation that take into account their own limitations. Though neither is a member of the EU or NATO, each play a role larger than their size would suggest. Switzerland and Liechtenstein, as international financial centers, are important to the struggle against terrorist finance, money laundering, and narcotics assets. Economically, Switzerland is the world's 16th largest economy, 12th largest aid donor, 6th largest direct investor in the United States, and "manager" of 40 percent of the world's privately held savings. Switzerland is a participant in all relevant export control and non-proliferation regimes. In political affairs, Switzerland plays above its size in the United Nations. It has used its neutral status to our benefit along the Korean DMZ and as our protecting power in Iran and Cuba. As depository of the Geneva Conventions, Switzerland has recently played a key role in hosting a diplomatic conference passing the Third Additional Protocol to the Third Geneva Convention. Switzerland's tentative steps toward peacekeeping in the Balkans, engagement in NATO's Partnership for Peace, and even tiny presence with ISAF in Afghanistan, reflects a country reconsidering its role in global security - though with trepidation.

5.(SBU) Our greatest challenge has been prying more cooperation out of the often provincial and isolationist sectors of the societies. Bank secrecy laws entail that host country financial institutions are substantially self-policing - not an entirely comforting situation. Agricultural protectionism shattered Swiss efforts to pursue a free trade agreement with the United States. Both the federal structure of Switzerland and acute concerns about sovereignty mean that information sharing on terrorism, proliferation, and other crimes is less than optimal. The

Swiss military is barred from participation in peace enforcement (as opposed to peacekeeping) activities. Media has been critical of the war in Iraq and the broader war on terrorism - particularly with respect to Guantanamo, renditions, and travel/visa restrictions. Bad feelings derived from the Holocaust Assets scandal still redounds against us.

6.(SBU) Facing these challenges, Embassy Bern has worked with sympathetic counterparts within the host governments to fashion ways of improving coordination and avoiding friction. Among the measures we have taken are several agreements designed to ease cooperation on political affairs, trade, and law enforcement. The Federal Council approved three this week, and should address the customs agreement this summer:

- Framework for Intensified Cooperation, to ease collaboration on multilateral democracy and security building. Thus far, this has reaped Swiss membership in, and million dollar donation to, the Foundation for the Future, as well as Swiss financial support for disarmament in Ukraine, election monitoring in Afghanistan, and the NATO/EAPC trust fund in Iraq.

- Trade and Investment Cooperation Forum (the Forum) for discussion and resolution of minor trade and investment disputes and discussion of common efforts to, for example, strengthen intellectual property rights. The Forum will complement other non-trade related economic discussions under the auspices of the Joint Economic Commission established in 2002.

- Operative Working Arrangement (OWA) to enable information sharing and possible joint investigations in terrorism cases.

- Customs Mutual Assistance Agreement (CMAA), addressing offenses against customs laws that are prejudicial to the economic, fiscal, and commercial interests of both countries, due for finalization this summer.

7.(U) In addition to these agreements, the Embassy worked

successfully with OBO and local Swiss officials to finalize a lease on a new chancery, which we should occupy in 2008.

Regional Stability, Democracy & Aid

8.(SBU) Switzerland's traditional neutrality has, in the past, severely restricted its involvement in world affairs outside of the humanitarian and economic spheres. We have worked hard to bring the Swiss around toward fostering regional stability and democracy. In May 2005, the Federal Council (cabinet) voted to enhance our bilateral relationship. As a first gesture, they contributed \$250 thousand to the NATO/PfP trust fund for Iraq, \$350 thousand to dismantling conventional weapons in Ukraine, \$300 thousand for election observation in Afghanistan (among the largest OSCE donations), and added short-term training courses for Iraqi and Afghan security officials. The Swiss also made a significant commitment to fostering democracy in the broader Middle East and North Africa by joining the Forum for the Future and pledging \$1 million to the Foundation for the Future.

9.(U) Progress on the diplomatic front was also impressive, as the Swiss fulfilled their obligation as depository state for the Geneva Conventions by hosting a diplomatic conference to approve the Third Additional Protocol, which in turn will allow the Red Cross/Red Crescent Movement to recognize the Israeli Star-of-David emblem. Embassy (with Mission Geneva) invested a great deal of effort in steeling the spines of our Swiss counterparts, efforts crucial to ensuring a successful diplomatic conference.

10.(SBU) For the future, we want the Swiss to maintain their 220-strong peacekeeping force deployed to Kosovo and Bosnia, to expand their small presence in Afghanistan, and to broaden their NATO-partnership activities outside of Europe. We want Swiss Army reform currently underway to succeed in transforming the Swiss military into a lighter, deployment-oriented force available for peace support operations. We also wish to maintain our defense procurement relationship with the Swiss military. We also hope to see the Swiss enlarge their broader security assistance to include police and border security assistance. Likewise, in the aftermath of the Kashmir earthquake and Indian Ocean Tsunami, we might encourage the Swiss to explore a potential PfP coordinating role for the use of military assets in humanitarian relief - an area that might appeal to the pacifist as well as internationalist sectors of the populace.

Trade & Investment

11.(U) A major outcome of the May 2005 Federal Council decision was the Swiss proposal to explore a free trade agreement with the United States. Unfortunately, needed agricultural tariff reforms were too large a pill for many Swiss to swallow. USTR's fallback position was to initiate a bilateral Trade and Investment Cooperation Forum, mandated to address small, yet sensitive issues such as strengthening intellectual property rights cooperation, removing Non-Tariff Barriers to trade and investment, and beef and wine exports.

12.(U) Another potentially useful tool for the Mission is the U.S.-Swiss Joint Economic Commission (JEC), whose meetings in Washington, Bern, and at the World Economic Forum in Davos have served as fora for discussion and resolution of bilateral misunderstandings. Through the JEC, the Swiss-American Chamber of Commerce, and intensive outreach efforts with Swiss and Liechtenstein media, the Mission has alleviated business concern about U.S. post-9/11 security measures such as passenger name recognition laws, food security, aviation cargo regulations, and the financial provisions of the Patriot Act. Working proactively, we averted a potential crisis on Zurich Airport's FAA

certification. FCS's intervention also turned back Swiss Health Office attempts to disadvantage U.S. pharmaceuticals.

World Economic Forum

13.(U) The WEF Annual Meeting in January is the premier international event of its kind. Our Embassy's presence supports senior cabinet and congressional participation (six cabinet members and seven legislators last year; presidents and vice presidents in recent years). Our consultations with WEF organizers ensure that USG officials have a platform to our present policies. This year, for the first time, the Mission established a "Shared Logistics Platform" that provided airport and security liaison assistance, as well as logistical support in the run-up to and during the WEF on a cost-sharing basis. Washington remains an important partner for the Mission in WEF support, as we seek to regularize this practice and improve support for high-level USG WEF attendees.

Counterterrorism & Law Enforcement

14.(U) The FBI, Homeland Security, and the Drug Enforcement Administration are all represented at post, while other law enforcement agencies are represented by regional offices. We are working with Washington and the Swiss Government to grant the RSO law enforcement status as well.

15.(SBU) Cooperation with Swiss law enforcement agencies has improved "glacially" over recent years. We are hoping some changes will speed this process along. We have recently agreed on new language for an updated bilateral Operative Working Agreement (OWA) allowing joint investigations under certain narrow circumstances. Swiss Justice Minister Blocher will now present to Parliament. Direct cooperation with cantonal and municipal police is severely restricted. We are also hopeful that a new OWA will lead to greater information sharing between the Swiss and Embassy law enforcement representatives, including at the cantonal level.

16.(SBU) Given the absence of direct attacks in their territory, public complacency is a big problem. The level of risk is impossible to establish, absent the ability to investigate leads. High-profile terrorist suspects arrested here - primarily support-personnel for the Madrid and Riyadh bombings - have been provisionally freed for lack of hard evidence. One Salafist terrorist was deported to Spain, though only after a leak to the Spanish media revealed his presence in the country.

17.(SBU) On terrorist finance, the Swiss continue to freeze over \$25 million in al Qaeda/Taliban assets. Switzerland holds about \$130 million in Iraqi assets, whose turnover has been delayed by UN bureaucracy. Liechtenstein, for its part, is cooperating on the U.N. lists and is looking for ways to be helpful in USG efforts against North Korean assets. We will continue to press both countries to ensure that financial institutions exercise due diligence with their clients and for authorities vigorously to investigate suspicious transaction reports.

18.(SBU) Liechtenstein was a model of cooperation for the mission's law enforcement agencies, offering legal assistance on important investigations of money laundering and child pornography. The principality continues to be in full compliance with the Financial Action Task Force requirements. It recently returned a high-profile Iraqi asset, Saddam's former executive jet, to the new government there. Post ensured that media was aware of all these successes.

19.(SBU) One area where we have been effective in

encouraging better coordination is in combating trafficking in persons (TIP). USG pressure, especially the downgrading of Switzerland in 2004 to "tier two," has spurred the Swiss Federal Government to communicate better with cantons on ways to protect trafficking victims and to identify areas of prosecution. As the Swiss move to introduce new legislation and enlarge data collection, we will look for ways to encourage and support them.

Non-proliferation of Weapons of Mass Destruction

20.(SBU) The Swiss are members of all relevant non-proliferation agreements and regimes and reliably report requests for controlled items. Traditionally, in the gray area of dual-use items, the Swiss have been less diligent. However, we have recently witnessed a greater openness on the part of export control officials to share information, due in large measure to Embassy outreach and Washington's agreement to supply leads on investigations. Given the growing threat from Iran and North Korea, this is very important. Swiss officials have taken part in PSI exercises and are on-board for using existing law robustly against proliferators. The Mission hopes that a broadened OWA will also foster joint investigations in the area of non-proliferation connected with terrorism.

21.(SBU) The Swiss co-hosted with the USG two major conferences on WMD - one a workshop for 80 representatives of Eurasian countries on the bio-terrorism threat and another with 60 participants on supporting a US Department of Energy effort to eliminate plutonium-producing plants in

Russia. Pledges on the latter project have been forthcoming. Follow-on conferences on both themes are expected in the coming 12 months. In addition, under Partnership for Peace, the Swiss sponsor annual international conferences on critical infrastructure protection - an effort for which we hope to recruit USG experts.

Consular

22.(U) This year, our Consular Section has taken on additional burdens in assisting neighboring consular districts in Italy and France, where governments have failed to adopt machine-readable passports by the USG's deadline. These efforts are in addition to the usual portfolio, which also includes close coordination with the Swiss Protecting Power in Tehran. Notwithstanding these challenges, Consular has achieved remarkable success in reducing visa applicant waiting times and improving customer service. Washington was helpful in providing us with a needed fourth consular officer.

23.(U) The Embassy also increased public outreach to clarify visa and passport regulations and procedures and provide a human face to the application process. Our Homeland Security, Foreign Commercial Service, Consular, and Public Affairs sections initiated and implemented a program of travel trade promotions and outreach to the press and the Swiss travel industry that has contributed to a significant improvement in the Swiss public perception of travel to the U.S. Other factors contributing to the improved perception are the implementation of a Swiss pilot program for biometric passports and a growing public appreciation for security measures. Positive public perception combined with favorable economic factors made the U.S. the leading long-haul destination for Swiss travelers. The annual number of Swiss travelers to the U.S. increased from 235 thousand in 2003 to 270 thousand in 2005, with an annual 300 thousand expected by 2007.

24.(U) Swiss students studying in the U.S. contribute approximately USD 60 million to the U.S. economy on an

annual basis. To promote graduate studies in the U.S., the Commercial, Public Affairs and Consular sections joined forces to support the annual MBA Fair in Zurich. In 2005, a total of 4,656 students enrolled in U.S. higher education programs, a 13 percent boost from the previous year.

Public Diplomacy

25.(U) On all the above substantive goals, official Swiss reluctance to engage more deeply with the United States stems largely from public suspicion of USG actions. Generally, the Swiss public is not energized about the terrorist threat; those who are tend to believe that association with America might only increase Switzerland's exposure. Some Swiss do "get it," however. Mission's task is to work with these partners to spread the message that terrorism threatens us all and that spreading freedom and prosperity to the region is a long-term means to tackle the threat. The large majority who opposed the war in Iraq must be reminded that we share a common interest in a successful new Iraq. Those media outlets that have exaggerated USG faults have had their over-reaching exposed. We will seek ways to help those sympathetic to our goals get the word out.

Post Security

26.(SBU) As noted in the law enforcement section, it has been an uphill struggle to convince many Swiss authorities

of the gravity of the current threat. For many years, the Canton of Bern refused our requests to operate a surveillance detection (SD) team. We have succeeded in reversing their decision and we should have an SD program in place shortly. As noted, we are working to have our diplomatic security agents recognized as law enforcement under our bilateral agreements. The coming years will offer a particular challenge as we relocate the Embassy to a new chancery.

Management: Relocation to a New Chancery

27.(U) Among the most satisfying accomplishments of the past years has been the identification and securing of a new chancery. In 2005, we signed a lease for a more secure and centrally located Chancery building and executed a contract to sell the existing building. We are completing the permit process. Renovation on the new site should begin mid-2006, and we should be prepared to relocate in early FY 2008. Until that time, tremendous efforts will still be necessary to overcome challenges, both expected and unexpected. Washington's continued support will be key.

Final note

28.(U) I would like to thank everyone in Washington and Bern for their wonderful support during my time here. I have had the privilege of working with tremendously talented people who are dedicated to serving their country. Representing my country as U.S. Ambassador to Switzerland and Liechtenstein has been one of the highlights of my life.

WILLEFORD